

Message Text

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73/43

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 AID-05 OPIC-03

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

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R 150555Z DEC 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 3675

INFO AMEMBASSY NEW DELHI

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C O R R E C T E D C O P Y FOR ADDED REFERENCE

E.O. 11652: N/A

TAGS: EGEN, NP

REF: KATHMANDU 05333

1. ALONG WITH THE ADMINISTRATIVE ACTIONS REPORTED BY REFTTEL, THE 10-POINT PORGRAM ANNOUNCED BY HMG ON DEC. 9 INCLUDES THE FOLLOWING ECONOMIC MOVES:

2. PRIOR REDUCTIONS - GOVERNMENT ENTERPRISES HAVE BEEN INSTRUCTED TO REDUCE AVERAGE PRICES ON VARIOUS GOODS THEY DEAL IN BY THE FOLLOWING PERCENTAGES: RICE, ABOUT 8 PERCENT, FERTILIZER 16 PERCENT, WHEAT SEED 30 PERCENT, GENERAL CONSUMER GOODS 10 PERCENT, AND CONSTRUCTION MATERIALS 20 PERCENT. THE PRIVATE SECTOR WAS ALSO EXHORTED TO BE SATISFIED WITH MODERATE PROFITS AND TO AVOID EXCESSIVE STOCKPILING. THIS JAWBONING WAS ACCOMPANIED BY A VEILED THREAT OF NATIONALIZATION OF TRADE IN COMMODITIES IN WHICH THE PRIVATE SECTOR DOES NOT MAINTAIN A "HEALTHY TRADE PATTERN."

(COMMENT: THIS ACTION IS MADE EASIER, IF NOT ANY LESS FINANCIALLY PAINFUL, AS IT WILL INVOLVE SELLING AT A LIMITED OFFICIAL USE

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SUBSTANTIAL LOSS IN MANY CASES, BY THE FACT THAT THE

GOVERNMENT AGENCIES ARE PRESENTLY BURDENED WITH VERY LARGE STOCKS OF COMMODITIES SUCH AS CEMENT AND FERTILIZER STOCKPILED LAST YEAR IN A SERIOUS MISCALCULATION OF FUTURE DEMAND AND SUPPLY TRENDS. THIS STOCKPILING WAS ONE MAJOR FACTOR IN THE STEEP DECLINE IN FOREIGN EXCHANGE RESERVES IN FY 75.)

3. MANAGEMENT IMPROVEMENT IN PUBLIC CORPORATIONS - GOVERNMENT-OWNED CORPORATIONS HAVE BEEN INSTRUCTED TO REDUCE OVERHEAD COSTS BY 10 PERCENT WITHIN THREE MONTHS SO AS TO REDUCE THEIR PRICES AND/OR OTHERWISE IMPROVE THEIR SERVICES TO THE PUBLIC.

4. AN INCREASE IN UTILITY RATES - ANNOUNCEMENT OF "REASONABLE REVISION" IN THE RATES OF SUCH UTILITIES AS ELECTRICITY AND WATER.

(COMMENT: THE ADB HAD EARLIER SPECIFIED AN INTERIM INCREASE IN ELECTRICITY RATES OF 50 PERCENT AS A CONDITION OF A POWER PROJECT LOAN).

5. CALL FOR PUBLIC AUSTERITY - CRITICIZING NON-SELECTIVE ADOPTION OF FOREIGN WAYS AND THE CONSPICUOUS CONSUMPTION ASSOCIATED WITH FESTIVALS, WEDDINGS, ETC. THE ANNOUNCEMENT SAID THAT LEGAL MEASURES ARE "BEING CONSIDERED TO CONTAIN THIS TREND".
CARGO

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